



INDAKA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013

Annual Financial Statements

for

INDAKA LOCAL MUNICIPALITY

for the year ended 30 June:

2013

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:	
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INDAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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INDAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013
Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 55 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

DATE 30 August 2013

INDAKA LOCAL MUNICIPALITY
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General information

Members of the Council

Cllr. Mchunu NB	Mayor
Cllr. Mabele PBM	Speaker
Cllr. Njapha TB	Deputy Mayor
Cllr. Nzuza PM	Member of the Executive Committee
Cllr. Ngubane M	Member of the Executive Committee
Cllr. Mabele ZV	Member
Cllr. Twala JS	Member
Cllr. Ndlovu SV	Member
Cllr. Mbatha ME	Member
Cllr. Mbele NG	Member
Cllr. Majola BC	Member
Cllr. Kheswa MA	Member
Cllr. Madondo M	Member
Cllr. Banda SM	Member
Cllr. Shezi TBM	Member
Cllr. Zikalala NL	Member
Cllr. Mvelase SN	Member
Cllr. Kunene MJ	Member Resigned 24 October 2012
Cllr. Madonsela HL	Member
Cllr. Zikalala SJ	Member
Cllr N P Phakathi	New Member Replaced M J Kunene 24 October 2012

Municipal Manager

Mr K.S Khumalo

Chief Financial Officer

Vacant

Grading of Local Authority

Grade 2

Auditors

Office of the Auditor-General

Bankers

Standard Bank - Ladysmith
Account Number 60157259

INDAKA LOCAL MUNICIPALITY
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General information (continued)

Registered Office: INDAKA LOCAL MUNICIPALITY

Physical address:

2748"F" Section Ekuvukeni
Wasbank
2920

Postal address:

Private Bag X70113
Wasbank
2920

Telephone number: 034 261 1000

Fax number: 034 261 2035

E-mail address: sinatrak@indaka.gov.za

INDAKA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	2013 R	RESTATED 2012 R
ASSETS			
Non-current assets		73 949 589	57 560 412
Property, plant and equipment	10	72 985 732	56 612 584
Investment properties	11	277 259	253 866
Intangible assets	12	9 719	17 082
Heritage assets	13	676 880	676 880
Current assets		67 824 313	30 548 666
Inventory	15	175 193	53 543
Receivables from exchange transactions	16	193 084	244 412
Receivables from non-exchange transactions	17	1 220 739	284 959
Value added taxation receivable	9	3 477 782	2 082 386
Call investment deposits	18	42 014 440	26 302 687
Bank balances and cash	19	20 743 075	1 580 678
Total Assets		141 773 902	88 109 078
LIABILITIES			
Non-current liabilities		4 611 944	4 875 244
Long-term liabilities	2	3 666 253	3 835 264
Non-current provisions	3	250 000	250 000
Long service awards and retirement gifts	4.2	602 000	501 000
Non-current lease Liability	29	93 691	288 980
Current liabilities		20 455 347	16 968 257
Deposits	5	5 610	1 400
Trade and other payables .	7	9 672 830	8 238 130
Current portion of Provisions.	6	568 551	-
Current portion of long-term liabilities.	2	168 936	160 721
Current portion of lease liability.	29	195 289	275 055
Unspent conditional grants and receipts	8	9 844 130	8 292 952
Total liabilities		25 067 291	21 843 502
Total Assets and Liabilities		116 706 612	66 265 577
NET ASSETS			
Housing operating account	1	617 990	653 472
Accumulated surplus		116 088 621	65 612 105
Total Net Assets		116 706 612	66 265 577

INDAKA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

	Note	2013 R	RESTATED 2012 R
Revenue			
Revenue from non-exchange transactions.			
Property rates	20	1 776 645	841 435
Public donations- Property, plant and equipment.		40 352	-
Government grants and subsidies	22	83 043 822	77 920 633
Revenue from exchange transactions.			
Service charges	21	178 809	168 138
Rental of facilities and equipment	30	76 993	61 110
Interest earned - external investments	31	1 790 234	935 746
Other income	32	94 963	118 970
Total revenue		87 001 817	80 046 030
Expenses			
Employee related costs	23	9 100 720	10 000 556
Remuneration of councillors	24	4 780 264	4 585 838
Depreciation	33	6 084 325	3 346 183
Amortisation	33	7 363	5 007
Repairs and maintenance		386 105	737 026
Finance costs	25	254 850	348 097
Contracted services	26	4 613 508	4 899 975
Grant Expenditure	27	2 520 813	5 689 302
Retirement and long services benefits.	4	101 000	501 000
Adjustment to bad debt provision	16	589 672	385 280
Adjustment to non-current provisions	3	498 551	-
Loss on disposal of assets		79 303	-
General expenses	28	7 470 755	12 991 898
Total expenditure		36 487 229	43 490 162
Surplus / (deficit) for the year.		50 514 589	36 555 869

INDAKA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2013

		Housing Operating Account	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R	R
2010				
Restated surplus at 1 July 2010			12 221 408	
Surplus at 30 June 2010- Previously reported			13 705 824	13 705 824
Corrections Prior Year Errors 2009/2010			(1 484 416)	(1 484 416)
Balance at 30 June 2 2010		-	33 138 427	33 138 427
2011				
Restated surplus at 1 July 2011			(3 503 467)	
Surplus at 30 June 2011- Previously reported			(120 187)	(120 187)
General Expenditure			(908 057)	(908 057)
Repairs & Maintenance			(93 104)	(93 104)
Depreciation			(345 011)	(345 011)
Finance Costs			(507 651)	(507 651)
Interest Earned			(63 109)	(63 109)
Employee Related Costs.			(14 963)	(14 963)
Income			16 072	16 072
Repayment Grants			(2 685 282)	(2 685 282)
Fixed Assets			841 706	841 706
Trade and Other Payables from Exchange Transactions			596 626	596 626
Changes in Leased Liabilities			(220 508)	(220 508)
Balance at 30 June 2 2011		-	29 634 960	29 634 960
2012				
Net Surplus for the year			40 797 005	40 797 005
Transfer to Housing Operating Account	1	653 472		653 472
Transfer to/(from) Appropriations for 2011/2012			253 545	253 545
Balance at 30 June 2012		653 472	70 685 510	71 338 982
Restated surplus at 1 July 2012			36 170 589	
Surplus at 30 June 2012- Previously reported			40 797 005	40 797 005
General Expenditure	37.1.4		(1 243 198)	(1 243 198)
Remuneration of Councillors	37.1.3		(3 302)	(3 302)
Contracted Services	37.1.5		(32 480)	(32 480)
Employee Related Costs.	37.1.2		(76 240)	(76 240)
Income-Rental of Facilities	37.1.1		(6 000)	(6 000)
Fixed Assets	37.2.1		(2 764 196)	(2 764 196)
Provision Long Service	37.2.3		(501 000)	(501 000)
Change of Accounting Policy	36		(446 990)	(446 990)
Restated Balance at 30 June 2012		653 472	65 612 105	66 265 577
Net Surplus for the year			50 514 589	50 514 589
Transfer to Housing Operating Account	1	(35 482)		(35 482)
Transfer to/(from) Appropriations for 2012/2013	37.2.2		(38 072)	(38 072)
Balance at 30 June 2013		617 990	116 088 621	116 706 612

INDAKA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2013

	Note	2013 R	RESTATED 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from rate payers and Government		85 878 310	80 795 585
Cash paid to suppliers and employees		-29 644 526	-34 421 948
Cash generated from operations		56 233 784	46 367 637
Interest Received	31	1 790 234	935 746
Interest Paid.	25	-254 850	-348 097
Net cash flows from operating activities		57 769 168	46 955 286
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	10&11	-22 821 567	-20 559 424
Proceeds on disposal of property, plant & equipment & intangible assets		261 399	
Proceeds from sale of investments			
Purchase of foreign currency securities			
Net cash flows from investing activities		-22 560 168	-20 559 424
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long term liability		-160 796	-152 516
Repayment of finance lease liability	29	-275 055	-243 142
Long term liability - Retirement benefit	4	101 000	501 000
Net cash flows from financing activities		-334 851	105 342
		34 874 150	26 501 204
Net increase / (decrease) in net cash and cash equivalents		34 874 150	26 501 204
Net cash and cash equivalents at beginning of period		27 883 365	1 382 161
Net cash and cash equivalents at end of period	19	62 757 515	27 883 365

INDAKA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
for the year ended 30 June 2013

Description	2012/13							
R (000) thousands	Original Budget (000)	Budget Adjustments (000)	Final Budget (000)	Actual outcome (000)	Variance (1) between Original and Final Budget (000)	Note on variances (1)	Variance (2) between Final Budget and Actual outcome (000)	Note on variances (2)
Financial Performance								
Property rates	1 213 635	1 776 644	1 776 644	1 776 645	-563 009	Correction of incorrect calculation.	0	N/A
Services charges - Refuse	206 754	178 809	178 809	178 809	27 945	N/A	-1	N/A
Rental of Facilities and Equipment	78 500	75 656	75 656	76 993	2 844	N/A	-1 337	N/A
Interest Earned-External Investment	350 000	1 200 000	1 200 000	1 790 234	-850 000	Due to grant funds not utilised.	-590 234	Due to grant funds not utilised.
Transfers recognised - operational	62 242 000	62 170 000	62 170 000	61 826 061	72 000		343 939	
Other own revenue	45 000	71 500	71 500	135 314	-26 500	More tender documents was sold.	-63 814	More tender documents was sold.
Total Revenue (excluding capital transfers and contributions)	64 135 889	65 472 609	65 472 609	65 784 056			-311 447	
Employee Related Costs	11 962 779	10 873 260	10 387 210	9 100 719	1 575 569	Due to vacant positions	1 286 491	Due to vacant positions
Remuneration of Councillors	5 039 434	5 039 434	5 208 434	4 780 264	-169 000	MEC did not approve increase.	428 169	MEC did not approve increase.
Dept impairment	900 000	900 000	900 000	589 672	0	N/A	310 328	N/A
Depreciation and asset impairment	5 000 000	5 000 000	6 072 000	6 091 688	-1 072 000	Due to change in accounting policy.	-19 688	N/A
Finance charges	200 000	200 000	266 000	254 850	-66 000	Due to a calculation error on budget.	11 150	N/A
Contracted Services	4 101 000	4 563 000	5 349 000	4 613 508	-1 248 000	Due to strick budget controls.	735 492	Due to strick budget controls.
Transfers and Grants	27 643 000	1 000 000	1 000 000	502 457	26 643 000	N/A	497 543	N/A
Other Expenditure	44 182 537	24 965 127	23 278 777	10 474 767	20 903 760	Due to strick budget controls.	12 804 010	Due to strick budget controls.
Loss on Disposal of PPE	-	-	79 400	79 303	-79 400	N/A	97	N/A
Total Expenditure	99 028 750	52 540 821	52 540 821	36 487 228	-46 487 929		16 053 496	
Surplus	-34 892 861	12 931 788	12 931 788	29 296 828	47 824 649		15 742 048	
Transfers recognised - capital	35 569 390	25 343 000	25 343 000	21 217 761	10 226 390		4 125 239	
Contributions recognised - capital and contributed assets					0			
Surplus after capital transfers & contributions	676 529	38 274 788	38 274 788	50 514 589	-37 598 259	-	-12 239 801	
Surplus for the year	141 683 629	100 862 496	100 862 496	50 514 589	40 821 133		50 347 907	
Capital Expenditure & funds sources								
Capital Expenditure							0	
Transfers recognised - capital	35 569 390	22 590 913	22 590 913	20 776 399	12 978 477		1 814 514	
Public Contributions and Donations				40 352			-40 352	
Borrowing								
Internally generated funds	12 000 000	11 100 000	11 100 000	2 004 815	900 000		9 095 185	
		0	0					
Total Sources of capital funds	47 569 390	33 690 913	33 690 913	22 821 566	13 878 477	-	10 869 347	
Cash Flows								
Net cash from (used) operating	48 069 000	37 190 000	37 190 000	57 769 168	10 879 000		-20 579 168	
Net cash from (used) investing	-47 569 000	-33 691 000	-33 691 000	-22 560 168	-13 878 000		-11 130 832	
Net cash from (used) financing		841 000	841 000	-334 851	-841 000		1 175 851	
Cash/cash equivalents at the year end	7 750 000	31 903 000	31 903 000	62 757 515	-24 153 000		-30 854 515	

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-exchange Transactions*. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3 and 4, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values where necessary.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

1.6 New standards and interpretations

1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard may have a material impact on the municipality's financial statements as it relates to Unspent Conditional Grants and Receipts.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- ☐ the approved and final budget amounts;
- ☐ the actual amounts on a comparable basis; and
- ☐ by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where a municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- ☐ are prepared using the same basis of accounting i.e. either cash or accrual;
- ☐ include the same activities and entities;
- ☐ use the same classification system; and
- ☐ **are prepared for the same period.**

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements, but results in more disclosure in the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- ☐ depreciated replacement cost approach;
- ☐ restoration cost approach; or
- ☐ service units approach.

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 June 2013

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- ☐ the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- ☐ the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

- ☐ it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- ☐ the cost of fair value of the asset can be measured reliably.

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The Standard of GRAP also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but a municipality should assess at each reporting date whether there is an indication that it may be impaired.

The carrying amount of a heritage asset should be derecognised:

- ☐ on disposal, or
 - ☐ when no future economic benefits or service potential are expected from its use or disposal.
- The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have material impact on the municipality's financial statements.

The municipality further adopted the transitional provisions as set out in Directive 3 in respect of Heritage assets, regarding measurement and related presentation and disclosure.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- ☐ a derivative;
- ☐ a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;

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- ☐ held-for-trading;
 - ☐ a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
 - ☐ an investment in a residual interest for which fair value can be measured reliably; and
 - ☐ other instruments that do not meet the definition of financial instruments at amortised cost or cost.
- ☐ Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP. Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value. A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- ☐ the cash flows from the asset expire, are settled or waived
- ☐ significant risks and rewards are transferred to another party; or
- ☐ despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ☐ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ☐ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 27: Agriculture

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

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GRAP 31: Intangible Assets

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

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GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ☐ control;
- ☐ related party transactions; and
- ☐ remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, Council has applied IPSAS 20.IGRAP 16: Intangible Assets - Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

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It is unlikely that the amendment will have a material impact on the municipality's financial statements.

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1.6.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

2 HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

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3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details

Infrastructure

Roads gravel 3 - 7 years
Roads premix 10 - 15 years
Storm Water 20 - 30 years

Community

Community and Recreation Facilities 30 years
Office buildings 15-30 years
Vehicles 5 - 7 years
Office equipment 3 - 7 years
Computer equipment 3 - 5 years
Furniture and Fittings 5 - 7 years
Plant & equipment 10 - 15 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.8 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

3.9 Impairment of Assets

3.9.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3.9.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

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4 INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

4.3 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

5 INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 June 2013

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised..

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset Classification in terms of GRAP 104

Short-term Investment Deposits – Call (Financial assets at amortised cost)

Bank Balances and Cash (Financial assets at amortised cost)

Long-term Receivables (Financial assets at amortised cost)

Consumer Debtors (Financial assets at amortised cost)

Other Debtors (Financial assets at amortised cost)

Investments in Fixed Deposits (Financial assets at amortised cost)

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 June 2013

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

7 INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

8.1 Non-current assets held for sale

8.1.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.1.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

8.2 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

- (a) represents a distinguishable activity, group of activities or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- (c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

9 REVENUE RECOGNITION

9.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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for the year ended 30 June 2013

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

9.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

9.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

9.3 Revenue from Non-exchange Transactions

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.3.2 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.3. Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10 GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12 EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Past service costs

INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 June 2013

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

12.3 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

12.4 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

12.4.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

12.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

12.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

13 LEASES

13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

15 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

16 CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**INDAKA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the year ended 30 June 2013

20 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

21 RELATED PARTIES

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

22 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23 COMPARATIVE INFORMATION

23.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	RESTATED 2012 R
1 HOUSING OPERATING ACCOUNT			
Housing Operating Account 30 June 2012		653 472	653 472
Interest Received		34 699	
Payment 2012/2013		-70 181	
Housing Operating Account 30 June 2013		<u>617 990</u>	<u>653 472</u>
The Housing Operating Account is represented by the following assets and liabilities :			
Cash and cash equivalents.(Included in Investments.)		<u>617 990</u>	<u>653 472</u>
2 LONG-TERM LIABILITIES			
Annuity Loans		3 835 189	3 995 985
Sub-total		<u>3 835 189</u>	<u>3 995 985</u>
Less: Current portion transferred to current liabilities		168 936	160 721
Annuity Loans		<u>168 936</u>	<u>160 721</u>
Total External Loans		<u>3 666 253</u>	<u>3 835 264</u>
Refer to Appendix A for more detail on long-term liabilities.			
Annuity loans			
Bear interest at rates between 5.0% per annum, are being redeemed in six monthly installments, including interest, in September and March until 2028.			
3 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill site		748 551	250 000
Sub Total		<u>748 551</u>	<u>250 000</u>
Less: Current portion transferred to current liabilities (refer to Note 6)		498 551	250 000
Provision for rehabilitation of landfill site		<u>498 551</u>	<u>-</u>
Total Non-Current Provisions		<u>250 000</u>	<u>250 000</u>
The movement in non-current provisions are reconciled as follows:			
<u>Landfill site rehabilitation</u>			
Balance at beginning of year		250 000	250 000
Contributions to provision		498 551	-
Reduction due to remeasurement		-	-
Increase due to discounting		-	-
Expenditure incurred		-	-
Balance at end of year		<u>748 551</u>	<u>250 000</u>
The provision created for the rehabilitation of the landfill site is based on a report conducted by AB Projects for the rehabilitation costs of the dumpsite.the report indicates a remaining live span of five years.			
4 RETIREMENT BENEFIT INFORMATION			
4.1 Defined contribution plan			
Indaka Municipality has been contributing to three (3) different funding schemes in respect of retirement benefit. These contributions have been expensed.			
<i>These valuations indicate that the plan is in a sound financial position</i>			
<i>Actuarial valuation must be conducted at least every 3years.</i>			
		Assets	Liabilities
KZN/Natal Joint Pension Fund @ 31 March 2012		6 538 900	6 270 600
Government Employees Pensions Fund @ 31 March 2010		708 137 500	18 003 753
Municipal Council Provident Fund @ 30 June 2009		1 136 372 026	178 180 678
<i>Amount below was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.</i>			

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	RESTATED 2012 R
KZN/Natal Joint Provident Fund		275 994	244 056
Government Employees Pensions Fund		337 620	358 073
Municipal Council Provident Fund		0	0

4.2 Long service awards and retirement gifts

The independent valuers, One Pangaea Financial actuarial consulting, carry out a

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.25%	8.25%
General Salary Inflation (long term)	7.00%	7.00%
Net effective discount rate	1.17%	1.17%

Examples of mortality rates used were as follows:

Average retirement age	63 years	63 years
Mortality during employment	SA85-90 Ultimate	SA85-90 Ultimate

Members withdrawn from service:

Age 20	12.0%	12.0%
Age 25	6.6%	6.6%
Age 30	5.1%	5.1%
Age 35	3.6%	3.6%
Age 40	2.6%	2.6%
Age 45	1.8%	1.8%
Age 50	1.1%	1.1%
Age 55+	0.0%	0.0%

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	602 000	501 000
Fair value of plan assets		
Liability in the Statement of Financial Position	602 000	501 000

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	501 000	387 000
Current service cost	72 000	53 000
Interest cost	41 000	33 000
Actuarial (Gain)/losses	-	29 000
Benefit payments	(12 000)	(1 000)
Miscellaneous		
Balance at end of year	602 000	501 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	72 000	53 000
Interest cost	41 000	33 000
Actuarial (Gain)/losses	-	29 000
Benefit payments	(12 000)	(1 000)
	101 000	114 000

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits		
Long Service Award	602 000	501 000
	602 000	501 000

Statement of Financial Performance obligation for:

Post-employment medical benefits		
Long Service Award loss	101 000	114 000
	101 000	114 000
Additional retirement costs	-	-
	101 000	114 000

Long service award gain	-	29 000
	-	29 000

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (i) The discount rate relative to the salary inflation assumptions;
- (ii) The average retirement age of employees; and
- (iii) Assumed rates of withdrawal of employees from service

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	RESTATED 2012 R
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Tables 1 summarises the results of the sensitivity analysis.

Table 1: Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

	1% Decrease 000	R	30 June 2012 Valuation Basis R 000	1% Increase R 000
Employers Accrued Liability	462		501	546
Employers Expense Cost	103		113	125

5 DEPOSITS

Hall Deposits	<u>5 610</u>	<u>1 400</u>
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6 CURRENT PORTION OF PROVISIONS

Rehabilitation of the landfill site - current portion	498 551	-
Performance Bonus	70 000	-
	<u>568 551</u>	<u>-</u>

R 70 000.00 is included in employment related cost as performance bonus for the Municipal Manager.

7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	6 253 019	5 371 327
Other Creditors	44 659	143 980
Other Creditors Payment in Advance-Debtors	233 472	787 432
Retentions	2 423 993	1 273 000
Staff leave accrual	717 687	662 391
Total creditors	<u>9 672 830</u>	<u>8 238 130</u>

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

MSIG Grant	289 424	45 292
MSIG Grant Uthukela	56 126	56 126
FMG Grant	172 692	90 886
Eradication of Bucket System	671 219	671 219
D O E Grant	1 427 851	1 021 764
Interdepartmental Planning	31 700	31 700
Backlog Infrastructure	80 702	80 702
Land Use Manageent	1 112	1 112
DBSA Feasibility Grant	92 907	92 907
MIG 2012/2013	5 967 065	6 201 243
MIG Prior	1 053 331	-

Total Unspent Conditional Grants and Receipts	<u>9 844 130</u>	<u>8 292 952</u>
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See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

9 VALUE ADDED TAXATION PAYABLE/RECEIVABLE FROM EXCHANGE

Input VAT	3 635 879	2 349 042
Output Vat	-326 301	-299 877
Consumer Debtors VAT Levied	-122 792	-100 666
VAT Suspense Creditors	290 053	133 887
Suspense-Vat	943	-

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid to SARS. All VAT returns have been submitted by the due date throughout the year.

<u>3 477 782</u>	<u>2 082 386</u>
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INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

10 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Leased assets R	Under Construction R	Total R
Carrying Values at 30 June 2012	250 000	4 630 747	21 546 901	10 418 163	5 164 212	493 156	17 388 112	59 891 291
Cost	250 000	5 591 040	27 057 793	12 416 442	10 681 276	886 530	17 388 112	74 271 193
Accumulated depreciation	-	(960 293)	(5 510 892)	(1 998 279)	(5 517 064)	(393 374)	-	(14 379 902)
Note 37 Correction of Error 30 June 2012	-	-	-	(2 831 714)	-	-	-	-2 831 714
Cost	-	-	-	(3 468 420)	-	-	-	-3 468 420
Accumulated depreciation	-	-	-	636 706	-	-	-	636 706
Change in Policy					(446 990)			(446 990)
Change in Accounting Policy Depreciation					(1 110 948) 663 958			(1 110 948) 663 958
Restated Carrying Values at 30 June 2012	250 000	4 630 747	21 546 901	7 586 449	4 717 222	493 156	17 388 112	56 612 584
Cost	250 000	5 591 040	27 057 793	8 948 022	9 570 328	886 530	17 388 112	69 691 825
Accumulated depreciation	-	(960 293)	(5 510 892)	(1 361 573)	(4 853 106)	(393 374)	-	(13 079 238)
Acquisitions			6 563 196	263 486	118 216		15 832 787	22 777 685
Capital under construction brought into use			15 890 036	1 498 075			-17 388 111	-
Change in Policy								-
Change in Accounting Policy Depreciation		(186 368)	(2 215 393)	(346 407)	(737 092)	(245 945)		(3 731 205)
Change in accounting Estimates			(2 396 286)		25 968	37 687		(2 332 631)
Carrying Value of disposals	-	-	-	-	(340 702)	-	-	(340 702)
Cost					(2 289 062)			(2 289 062)
Accumulated depreciation					1 948 360			1 948 360
Carrying Values at 30 June 2013	250 000	4 444 379	39 388 454	9 001 603	3 783 610	284 898	15 832 788	72 985 732
Cost	250 000	5 591 040	49 511 025	10 709 583	7 399 482	886 530	15 832 788	90 180 448
Accumulated depreciation	-	(1 146 661)	(10 122 571)	(1 707 980)	(3 615 872)	(601 632)	-	(17 194 716)

PROPERTY, PLANT & EQUIPMENT
30 June 2012

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R	R
Carrying Values at 30 June 2011	250 000	4 689 983	20 155 394	9 039 271	5 281 532	-	-	39 416 180
Cost	250 000	5 466 260	24 120 373	10 612 487	9 678 835	-	-	50 127 955
Accumulated depreciation	-	(776 277)	(3 964 979)	(1 573 216)	(4 397 303)	-	-	(10 711 775)
Correction of error (33.1) previously not recognised			167 000		299 888	374 818		-
Correction of error (33.1) Depreciation previously not recognised			(22 572)		(97 959)	(224 480)		841 706
Restated Carrying Values at 30 June 2011	250 000	4 689 983	20 299 822	9 039 271	5 483 461	150 338	-	39 912 875
Cost	250 000	5 466 260	24 287 373	10 612 487	9 978 723	374 818	-	50 969 661
Accumulated depreciation	-	(776 277)	(3 987 551)	(1 573 216)	(4 495 262)	(224 480)	-	(11 056 786)
Restated Carrying Values at 30 June 2011	250 000	4 689 983	20 299 822	9 039 271	5 483 461	150 338	-	39 912 875
Cost	250 000	5 466 260	24 287 373	10 612 487	9 978 723	374 818	-	50 969 661
Accumulated depreciation	-	(776 277)	(3 987 551)	(1 573 216)	(4 495 262)	(224 480)	-	(11 056 786)
Acquisitions		124 780	2 770 420	1 803 955	702 553	511 712	17 388 112	23 301 534
Capital under construction brought into use								-
Assets Donated								-
Depreciation		(184 016)	(1 523 341)	(425 063)	(1 021 801)	(168 894)		(3 323 115)
Carrying Value of disposals								-
Cost								-
Accumulated depreciation								-
Carrying Values at 30 June 2012	250 000	4 630 747	21 546 901	10 418 163	5 164 213	493 156	17 388 112	59 891 291
Cost	250 000	5 591 040	27 057 793	12 416 442	10 681 276	886 530	17 388 112	74 271 193
Accumulated depreciation	-	(960 293)	(5 510 892)	(1 998 279)	(5 517 063)	(393 374)	-	(14 379 901)

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R
11 INVESTMENT PROPERTY		
11.1 Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2012	253 866	253 866
Cost	300 000	300 000
Accumulated depreciation and impairment losses	(46 134)	(46 134)
Acquisitions	43 882	43 882
Depreciation	(20 489)	(20 489)
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
as at 30 June 2013	277 259	277 259
Cost	343 882	343 882
Accumulated depreciation and impairment losses	(66 623)	(66 623)
Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2011	276 933	276 933
Cost	300 000	300 000
Change in accounting policy	-	-
Accumulated depreciation and impairment losses	(23 067)	(23 067)
Acquisitions	-	-
Depreciation	(23 067)	(23 067)
Carrying value of disposals	(46 134)	(46 134)
Cost	-	-
Accumulated depreciation	(46 134)	(46 134)
as at 30 June 2012	253 866	253 866
Cost	300 000	300 000
Accumulated depreciation and impairment losses	(46 134)	(46 134)
11.2 Investment property pledged as security-not applicable.		-

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

12 INTANGIBLE ASSETS

12.1 Reconciliation of carrying value

	2013	
	Software R	Total R
as at 1 July 2012	17 082	17 082
Cost/Revaluation	22 089	22 089
Accumulated amortisation.	(5 007)	(5 007)
Acquisitions	-	-
Amortisation	(7 363)	(7 363)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation.	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2013	9 719	9 719
Cost/Revaluation	22 089	22 089
Accumulated amortisation.	(12 370)	(12 370)
as at 1 July 2011	-	-
Cost/Revaluation	-	-
Accumulated amortisation.	-	-
Acquisitions	22 089	22 089
Amortisation	(5 007)	(5 007)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation.	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	17 082	17 082
Cost/Revaluation	22 089	22 089
Accumulated amortisation.	(5 007)	(5 007)

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

13 HERITAGE ASSETS

2013

13.1 Reconciliation of carrying value

	R	Total R
as at 1 July 2012	676 880	676 880
Cost/Revaluation	676 880	676 880
Accumulated amortisation.	-	-
Acquisitions	-	-
Amortisation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation.	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2013	676 880	676 880
Cost/Revaluation	676 880	676 880
Accumulated amortisation.	-	-
as at 1 July 2011	676 880	676 880
Cost/Revaluation	676 880	676 880
Accumulated amortisation.	-	-
Acquisitions	-	-
Amortisation	-	-
Carrying value of disposals	(67 518)	(67 518)
Cost	-	-
Accumulated amortisation.	(67 518)	(67 518)
Correction of Error	67 518	67 518
as at 30 June 2012	676 880	676 880
Cost/Revaluation	676 880	676 880
Accumulated amortisation.	-	-

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
14. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	277 259	253 886
Loss on valuation	-	-
Gain on valuation	-	-
Sale of properties	-	-
Transfer from Property, Plant and Equipment	-	-
Carrying value at date of transfer	-	-
Market valuation at date of transfer	-	-
Loss on valuation.	-	-
Carrying Values Closing Balance	277 259	253 886
The fair value of these properties as valued by Council's valuer at 30 June 2013 amounts to	277 259	253 886
Rental income derived from these properties amount to	76 993	67 110
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
15.0 INVENTORIES		
Consumable stores - at cost	175 193	53 543
Fuel	139 890	24 963
Oil	2 376	15 625
Others	32 927	12 955
Physical stock counts are carried out on 28 June 2013.		
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	1 406	221
Refuse	612 398	448 899
Consumer debtors for VAT	123 339	100 666
Total service debtors	737 143	549 786
Less: Allowance for impairment	-544 059	-305 374
Total	193 084	244 412
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	1 406	221
Total	1 406	221

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	14 660	14 021
31 - 60 Days	14 656	13 885
61 - 90 Days	14 647	13 881
91 - 120 Days	14 640	13 876
Greater than 120 days	553 795	393 236
Total	612 398	448 899
<u>Vat: Ageing</u>		
Current (0 – 30 days)	2 047	1 955
31 - 60 Days	2 046	1 936
61 - 90 Days	2 045	1 935
91 - 120 Days	2 044	1 935
Greater than 120 days	115 157	92 905
Total	123 339	100 666
<u>Reconciliation of the Allowance for Impairment</u>		
Balance at beginning of the year	752 336	367 047
Receivables from exchange transactions	305 374	183 524
Receivables from non-exchange transactions	446 962	183 524
(Release from) / Contribution to provision	589 672	385 280
Receivables from exchange transactions	167 897	192 640
Receivables from non-exchange transactions	421 775	192 640
	589 672	385 280
Vat on trade receivables from exchange transactions	-	-
Vat on trade receivables from non-exchange transactions	-	-
Receivables from exchange transactions	544 059	305 374
Receivables from non-exchange transactions	797 939	446 962
Balance at end of year	1 341 998	752 336
Bad debts written off	-	-
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	1 042 254	446 962
Other debtors	346 554	4 801
Accrued Interest	383 457	280 159
Deposits Paid	12 940	-
Add back credits included above	233 472	-
	2 018 678	731 922
Less: Allowance for impairment	-797 939	-446 962
Total Other Debtors	1 220 739	284 960

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)		
<u>Rates: Ageing</u>		
Current (0 – 30 days)	66 811	73 620
31 - 60 Days	66 811	36 928
61 - 90 Days	66 811	35 928
91 - 120 Days	66 811	33 428
Greater than 120 days	1 008 484	267 058
Total	1 275 726	446 962
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	-615	-11
31 - 60 Days	-617	-785 644
61 - 90 Days	-78	-299
91 - 120 Days	-2 084	-385
Greater than 120 days	-230 078	-1 153
Total	-233 472	-787 492
18.0 INVESTMENTS		
18.1 CURRENT INVESTMENTS		
Call investments	42 014 440	26 302 687
TOTAL CURRENT INVESTMENTS	42 014 440	26 302 687
<u>ACCOUNT DISCRIPTION - Investments (MFMA requirement)</u>		
Investment Bank account 32 Days Notice		
Standard Bank Ladysmith		
Account Number 6852234 Short Term Investment Account		
Bank statement balance at the beginning of the year	-	20 508
Bank statement balance at the end of the year	-	-
Investment Bank account Call Account		
Standard Bank Ladysmith		
Account Number 68522347 Short Term Investment Account		
Bank statement balance at the beginning of the year	11 302 687	5 614 171
Bank statement balance at the end of the year	11 210 399	11 302 687
Investment Bank account 6 Month Fix		
Standard Bank Ladysmith		
Account Number 068522347003 Short Term Investment Account		
Bank statement balance at the beginning of the year	15 000 000	-
Bank statement balance at the end of the year	-	15 000 000
Investment Bank account 3 Month Fix		
Standard Bank Ladysmith		
Account Number 068522347008 Short Term Investment Account		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	30 804 041	-

**INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013**

	2013 R	RESTATED 2012 R
19.0 BANK BALANCES AND CASH		
Cash and cash equivalents consist of the following:		
Cash on hand	20 742 075	1 579 678
Petty Cash	1 000	1 000
	20 743 075	1 580 678
The Municipality has the following main bank accounts: -		
<u>Primary Bank Account</u>		
Standard Bank Ladysmith Branch Account Number 60157259		
Cash book balance at beginning of year	1 579 678	-4 269 044
Cash book balance at end of year	20 742 075	1 579 678
Bank statement balance at beginning of year	2 940 897	346 437
Bank statement balance at end of year	20 742 075	2 940 897
Petty cash and cash on hand	1 000	1 000
Total bank,cash and overdraft balances.	20 743 075	1 580 678
20.0 PROPERTY RATES		
<u>Actual</u>		
Residential	2 372 689	2 372 689
Business	193 892	193 892
Agriculture	272 332	311 896
PSI	485	485
Vacant Land	273 416	273 416
Place of Worship	16 900	16 900
Other	2 133 120	1 904 950
Total property rates	5 262 834	5 074 228
Property rates - penalties imposed and collection charges		-
Total	5 262 834	5 074 228
Rates Rebate	-1 793 554	-2 540 228
Rates Impermissible	-1 692 635	-1 692 565
Total	-3 486 189	-4 232 793
Adjustments	-	-
	1 776 645	841 435
<u>Valuations</u>		
Residential	215 699 000	215 699 000
Business	11 751 000	11 751 000
Agriculture	104 743 000	119 960 000
Place of Worship	6 500 000	6 500 000
Other	142 208 000	126 991 000
Vacant Land	21 032 000	21 032 000
P S I	186 500	186 500
Total Property Valuations	502 119 500	502 119 500

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2011.

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
Assessment rates: Cents in the rand on market valuation as follows:		
Residential	0.1160	0.1100
Agricultural	0.0270	0.0260
Business	0.1740	0.1650
Place of Worship	0.0000	0.0000
Vacant Land	0.1370	0.1300
Other	0.1580	0.1500
Public service infrastructure	0.0270	0.0260
The first R120 000 of the valuation of residential properties are exempt from the calculation of rates.		
Impermissible:		
Residential property	15 000	
Public service infrastructure	0	
Place of Worship	0	
21.0 SERVICE CHARGES		
Refuse removal	178 809	168 138
Total Service Charges	178 809	168 138
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
22.0 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	59 589 000	53 002 000
Free Basic Electricity	-	63 204
Anti-Corruption Grant	-	17 167
Community Development Workers	-	1 583
Finance Management Grant	1 418 194	2 627 004
Msig Reserves	555 867	744 708
Led Strategy	-	4 000
Govt Exp & Admin - Unspent Grant	-	410 816
HR Systems	-	539
MFMA	-	201 435
Disaster Management Grant	-	264 000
Property Rates	-	128 584
Capacity Building (Fianace)	-	20 800
MIG.	16 623 848	14 402 137
Uitvaal Housing	-	296 578
Nodada Storm water	-	80
D O E Electrification Grant	4 593 913	5 978 236
Total Conditional Grants and Receipts	82 780 822	78 162 870
Operating Grants	263 000	318 340
MIG Grant repaid to Treasury	2 900 000	
Total Grant Expenditure	85 943 822	78 481 210
Less : Transfer to Housing Operating Account	-	-296 578
Less : Transfer to Housing Operating Account	-	-264 000
Less : Operating Grant	263 000	
	85 680 822	77 920 632

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
22.1 Equitable Share		
Balance unspent at beginning of year	-	
Current year receipts	59 589 000	53 002 000
Conditions met - transferred to revenue	<u>-59 589 000</u>	<u>-53 002 000</u>
	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
22.2 Anti Corruption Grant		
Balance unspent at beginning of year	-	17 167
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>-17 167</u>
	<u>-</u>	<u>-</u>
22.3 Backlog Infrastructure Grant.		
Balance unspent at beginning of year	80 702	80 702
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	<u>80 702</u>	<u>80 702</u>
22.4 Mun Development Planning Capacity Building		
Balance unspent at beginning of year	-	20 800
Current year receipts		
Conditions met - transferred to revenue	<u>-</u>	<u>-20 800</u>
	<u>-</u>	<u>-</u>
22.5 C D W Grant		
Balance unspent at beginning of year	-	1 583
Adjustments		
Current year receipts		
Conditions met - transferred to revenue	<u>-</u>	<u>-1 583</u>
	<u>-</u>	<u>-</u>
22.6 DBSA Feasibility Grant.		
Balance unspent at beginning of year	92 907	92 907
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	<u>92 907</u>	<u>92 907</u>
22.7 Disaster Management		
Balance unspent at beginning of year	-	264 000
Adjustments		
Current year receipts		
Transferred to Housing Trust.	<u>-</u>	<u>-264 000</u>
	<u>-</u>	<u>-</u>

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2013 R	RESTATED 2012 R
22.8 Eradicating Bucket System Grant.		
Balance unspent at beginning of year	671 219	671 219
Adjustments		
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	671 219	671 219
22.9 Free Basic Electricity.		
Balance unspent at beginning of year	-	63 204
Adjustments		
Current year receipts		
Conditions met - transferred to revenue	-	-63 204
	-	-
22.10 Financial Management Grant		
Balance unspent at beginning of year	90 886	1 217 890
Current year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	-1 418 194	-2 627 004
Conditions still to be met - remain liabilities (see note 8)	172 692	90 886
22.11 Government Grant & Admin.		
Balance unspent at beginning of year	-	410 816
Current year receipts (GIS grants consolidated transferred from GIS 07/06)		
Conditions met - transferred to revenue	-	-410 816
	-	-
22.12 HR Systems Improvement Grant.		
Balance unspent at beginning of year	-	539
Conditions met - transferred to revenue	-	-539
	-	-
22.13 Inter Departmental Planning Grant		
Balance unspent at beginning of year	31 700	31 700
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	31 700	31 700
22.14 LED.		
Balance unspent at beginning of year	-	4 000
Current year receipts		
Conditions met - transferred to revenue	-	-4 000
	-	-
22.15 LUMS.		
Balance unspent at beginning of year	1 112	1 112
Adjustments		
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	1 112	1 112

INDAKA LOCAL MUNICIPALITY
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for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
22.16 MFMA		
Balance unspent at beginning of year	-	201 435
Adjustments		
Current year receipts		
Conditions met - transferred to revenue	-	-201 435
	<u>-</u>	<u>-</u>
22.17 MSIG.-Uthukela.		
Balance unspent at beginning of year	56 126	56 126
Adjustments		
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 8)	<u>56 126</u>	<u>56 126</u>
22.18 Property Rates		
Balance unspent at beginning of year	-	128 584
Current year receipts		
Conditions met - transferred to revenue	-	-128 584
	<u>-</u>	<u>-</u>
22.19 Uitvaal Housing		
Balance unspent at beginning of year	-	296 578
Adjustments		
Current year receipts		
Transferred to Housing Trust.	-	-296 578
	<u>-</u>	<u>-</u>
22.20 D O E Electrification Grant		
Balance unspent at beginning of year	1 021 764	0
Current year receipts	5 000 000	7 000 000
Conditions met - transferred to revenue	-4 593 913	-5 978 236
Conditions still to be met - remain liabilities (see note 8)	<u>1 427 851</u>	<u>1 021 764</u>
22.21 MSIG.		
Balance unspent at beginning of year	45 292	
Current year receipts	800 000	790 000
Conditions met - transferred to revenue	-555 867	-744 708
Conditions still to be met - remain liabilities (see note 8)	<u>289 425</u>	<u>45 292</u>
22.22 MIG. 2012/2013		
Balance unspent at beginning of year	-	
Current year receipts	20 343 000	
Conditions met - transferred to revenue	-16 623 848	
Roll Over	2 247 913	
Grant Recovered		
Conditions still to be met - remain liabilities (see note 8)	<u>5 967 065</u>	<u>0</u>
22.23 MIG.Prior		
Balance unspent at beginning of year	6 201 243	3 833 380
Current year receipts	-	16 770 000
Conditions met - transferred to revenue	-	-14 402 137
Grant Roll over transferred to 22.22	-2 247 913	
Grant Recovered	-2 900 000	
Conditions still to be met - remain liabilities (see note 8)	<u>1 053 330</u>	<u>6 201 243</u>

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
22.24 Nodada Stormwater		
Balance unspent at beginning of year	-	80
Current year receipts		
Conditions met - transferred to revenue	-	-80
	<u>-</u>	<u>-</u>
23.0 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	7 313 672	8 045 089
Employee related costs - Contributions for UIF, pensions and medical aids	695 830	907 676
Travel, motor car, accommodation, subsistence and other allowances	304 887	511 015
Medical Aid Contributions	119 092	
Housing benefits and allowances	48 339	50 552
Overtime payments	5 159	53 355
Performance and other bonuses	590 791	429 826
Long-service awards	-	-
Other employee related costs	22 950	3 042
Total Employee Related Costs	9 100 720	10 000 555
Recharged to other departments	0	0
Total Employee Related Costs	9 100 720	10 000 555
Remuneration of the Municipal Manager		
Annual Remuneration	506 250	256 179
Performance- and other bonuses	70 000	-
Travel, motor car, accommodation, subsistence and other allowances	168 750	106 648
Contributions to UIF, Medical and Pension Funds	1 617	998
Total	746 617	363 825
Remuneration of the Chief Finance Officer		
Annual Remuneration	-	300 985
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	65 620
Contributions to UIF, Medical and Pension Funds	-	1 373
Total	-	367 977
There was no person in a acting CFO position. The post was vacant for 2012/2013.		
Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R
2013		
Annual Remuneration	398 400	344 000
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	96 000
Contributions to UIF, Medical and Pension Funds	1 118	1 118
Total	399 518	441 118
2012	Technical Services R	Corporate Services R
Annual Remuneration	220 116	225 678
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	59 360	153 003
Contributions to UIF, Medical and Pension Funds	1 248	1 248
Total	280 723	379 929

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
24.0 REMUNERATION OF COUNCILLORS		
Mayor	591 787	591 788
Deputy Mayor	477 198	267 147
Speaker	477 198	477 198
Executive Committee Members	495 199	495 810
Councillors	2 738 882	2 753 896
Total Councillors' Remuneration	4 780 264	4 585 838
In-kind Benefits		
The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor is in title the use of the Council owned vehicle for official duties. The Mayor is entitled to VIP protection, driver and secretary to support the Mayors office.		
25.0 FINANCE COSTS		
Interest on external loan DBSA	195 822	255 986
Interest on external loan Wesbank	-	27 317
Interest on Fintech Lease	59 028	64 793
Total Finance Costs	254 850	348 097
26.0 CONTRACTED SERVICES		
Contracted services for:		
Internal Audit	1 314 449	541 346
Refuse Removals	659 587	786 714
Basic Energy	-	-
Security Services	2 059 720	2 170 990
Other	579 752	1 400 925
	4 613 508	4 899 975
27.0 GRANT EXPENDITURE		
Grant Expenditure	2 520 813	5 689 302
	2 520 813	5 689 302

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013	RESTATED
	R	2012
	R	R
28.0 GENERAL EXPENSES		
Included in general expenses are the following:-		
Access and licence fees (CICS)	24 413	171 734
Advertisement	132 130	183 712
Assets under R 5000.00	2 887	-
Audit Committee & Internal Audit Map	1 243 290	-
Audit fees	-	1 061 975
Bank Charges	32 748	37 114
Busaries	57 440	103 088
CDW's	-	14 650
Cellphones	39 010	145 484
Cleaning Materials	11 920	8 237
Computer Equipment	17 501	-
Computer Programs	-	8 178
Conferences and seminars	3 722	146 100
Contributions	147 621	513 740
Electricity	582 348	426 582
Entertainment	39 564	95 622
Fuel & Lubricants	343 119	419 631
HIV/AIDS	700	161 550
IDP Spatial Development	175 439	333 527
Indigent Burials	-	436 500
Indigent Register	-	33 875
Insurance	336 012	316 405
Legal Costs	315 865	241 909
Membership Fees	400 000	-
Planning review	-	68 717
Ploughing Project	204 892	651 162
PMU Costs	527 949	-
Postage	1 299	-
Printing and Stationery	150 889	93 550
Promotions and special functions	-	5 600
Protective Clothing	9 991	-
Public participation /Speaker	83 707	228 392
Purchase of tools	490	-
Registration & License Fees	34 120	-
Religious Promotions	-	-
Report on Landfill Site	50 000	-
Rental Office Machinery	339 009	218 523
SALGA Membership	-	400 000
Skills Development Levy	124 447	132 418
Social services aid	-	401 732
Sports fund	-	381 225
Strategic Planning	-	126 000
Street Lighting	21 000	110 756
Subsistence and travelling	150 374	333 851
Support and maintenance	387 859	213 649
Telephones	253 642	376 196
Training Councillors	30 000	182 228
Training Staff Members	39 357	33 957
Ward Committees	1 156 000	595 417
Repayment of FMG Grant	-	1 200 000
Halls Removed from asset that do not belong to Indaka	-	2 764 196
	7 470 755	13 377 178

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
29.0 FINANCE LEASE LIABILITY		
GRAP 13, paragraph 12 Leases, When the lease term is for the major part of the economic life of the asset even if title is not transferred or at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset the asset should be classified as a finance lease.		
Within one year	221 616	334 083
In the second to fifth year inclusive	95 903	317 519
After five years	-	-
Future Finance charged on finance leases	-28 539	-87 567
Total	288 980	564 035
The present value of finance lease liabilities is as follows:		
Within one year	195 289	275 055
In the second to fifth year inclusive	93 691	288 980
After five years	-	-
Total	288 980	564 035
30.0 RENTAL OF FACILITIES AND EQUIPMENT		
Investment Property	76 993	58 158
Other rentals	-	2 952
Total rentals	76 993	61 110
31.0 INTEREST EARNED - EXTERNAL INVESTMENTS		
Investments	1 790 234	935 746
Total interest	1 790 234	935 746
32.0 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
32.1 Other Income		
Miscellaneous	21 016	17 654
Tender Documents	60 571	87 281
Burial Fees	13 376	14 035
Total Other Income	94 963	118 970
33.0 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	3 751 694	3 328 123
Investment Property	-	23 067
Change in Accounting Estimates	2 332 631	-
Intangible assets	7 363	-
Total Depreciation and Amortisation	6 091 688	3 351 190

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
34.0 CASH GENERATED BY OPERATIONS		
Cash generated from operations		
Surplus for the year	50 514 589	36 170 590
Adjustments for:		
Investment Income	-1 790 234	-935 746
Bad. Debts.	589 672	385 280
Depreciation	6 091 688	3 351 190
Interest Paid	254 850	348 097
Loss on sale of PPE	79 303	-
Contributions non-current provisions.	250 000	-
Contributions current provisions.	318 551	-
Operating surplus before working capital changes	56 308 419	39 319 411
Increase consumer debtors	-538 344	-610 542
Decreases in other debtors	-935 780	1 005 433
Decrease in un-spent conditional grants.	1 551 178	899 130
Decrease in inventories.	-159 723	64 956
Increase in creditors	1 438 910	5 461 979
Increase in vat.	-1 395 395	-679 746
Increase Housing Development	-35 482	653 472
Appropriations	-	253 546
Cash generated from operations.	56 233 783	46 367 638
35.0 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	20 742 075	1 579 678
Call Investment Deposits	42 014 440	26 302 687
Petty Cash	1 000	1 000
Net cash and cash equivalents	62 757 515	27 883 365
36.0 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and/or changes to existing policies:		
During the year the Municipality reviewed and changed its accounting policy with respect to the threshold of Capitalizing assets over R5000-00 and keeping an inventory of assets under R 5000.00		
Decrease in Computer equipment	-	-176 048
Computer equipment accumulated depreciation	-	122 312
Decrease in Furniture & Fittings.	-	-676 269
Furniture & Fittings accumulated depreciation	-	437 893
Decrease in Office equipment.	-	-256 391
Office equipment accumulated depreciation	-	102 684
Decrease in Plant & equipment.	-	-2 241
Plant & equipment accumulated depreciation	-	1 069
	-	-446 990

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

		2013 R	RESTATED 2012 R	
37.0	CORRECTION OF ERRORS			
	The comparatives to 2011/2012 have been restated in respect of the following errors.			
37.1	Statement of Financial Performance 2012	As Previously Reported	Correction of Errors.	Restated
	Rental of facilities and equipment		6 000	6 000
	Total Revenue	-80 052 031	6 000	-80 046 031
	Employee related costs		76 240	
	Remuneration of councillors		3 302	
	Contracted services		32 480	
	Contributions for long service awards		501 000	
	General Expenditure		4 007 393	
		39 255 026	4 620 415	43 875 441
	Surplus/Deficit	-40 797 005	4 626 415	-36 170 590
	Details of re-statements			
37.1.1	Rentals	As Previously Reported.	Corrections	Re-Styled.
	Rental income for IEC. for prior period.	67 110	6 000	61 110
		67 110	6 000	61 110
37.1.2	Employee related costs.	As Previously Reported.	Corrections	Re-Styled.
	JE Sithole abitation		85 090	
	Other salary deductions recovered.		-8 850	
	Bank and salary suspense cleared for prior period	9 924 316	76 240	10 000 556
37.1.3	Councillors Allowances	As Previously Reported.	Corrections	Re-Styled.
	Backpay for Deputy Mayor prior period		3 302	
		4 582 536	3 302	4 585 839
37.1.4	General Expenditure			

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

		2013 R	RESTATED 2012 R
The bank reconciliation was reconciled and all outstanding general expenditure corrected. The corrections are listed as accumulated totals of services by line item.		As Previously Reported.	Re-Styled.
Access and licence fees (CICS)	169 694	2 040	171 734
Advertisement	166 831	16 881	183 712
Audit fees	1 061 975	-	1 061 975
Bank Charges	37 114	-	37 114
Busaries	103 088	-	103 088
CDW's	14 650	-	14 650
Cellphones	145 484	-	145 484
Cleaning Materials	8 237	-	8 237
Computer Programs	8 178	-	8 178
Conferences and seminars	146 100	-	146 100
Contributions	899 020	-	899 020
Electricity	426 582	-	426 582
Entertainment	95 622	-	95 622
Fuel & Lubricants	419 631	-	419 631
HIV/AIDS	161 550	-	161 550
IDP Spatial Development	333 527	-	333 527
Indigent Burials	436 500	-	436 500
Indigent Register	33 875	-	33 875
Insurance	316 405	-	316 405
Legal Costs	241 909	-	241 909
Planning review	68 717	-	68 717
Ploughing Project	651 162	-	651 162
Printing and Stationery	93 550	-	93 550
Promotions and special functions	5 600	-	5 600
Public participation /Speaker	228 392	-	228 392
Rental Office Machinery	218 523	-	218 523
SALGA Membership	400 000	-	400 000
Skills Development Levy	132 418	-	132 418
Social services aid	401 732	-	401 732
Strategic Planning	126 000	-	126 000
Sports fund	389 550	-8 325	381 225
Street Lighting	110 756	-	110 756
Subsistence and travelling	301 250	32 601	333 851
Support Maintenance	213 649	-	213 649
Telephones	376 196	-	376 196
Training Councillors	182 228	-	182 228
Training Staff Members	33 957	-	33 957
Ward Committees	595 417	-	595 417
Repayment of FMG. Grant	-	1 200 000	1 200 000
	9 755 065	1 243 197	10 998 262
37.1.5 Contract Services	As Previously Reported.	Corrections	Re-Styled.
Contracted services for:			
Internal Audit	541 346	-	541 346
Refuse Removals	786 714	-	786 714
Basic Energy	-	-	0
Security Services	2 144 510	26 480	2 170 990
Other - restatement of valuation roll fees.	1 394 925	6 000	1 400 925
	4 867 495	32 480	4 899 975
37.2 Statement of Financial Position	As Previously Reported.	Corrections	Re-Styled.
Non-current assets	60 771 599	-2 764 196	58 007 402
Non-current liabilities	4 124 244	501 000	4 625 244
Current liabilities	17 218 257	-	17 218 257
Provisions			
	82 114 100	-2 263 196	79 850 903
Total Net Assets	71 338 982	-2 263 196	69 075 786

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

		2013 R	RESTATED 2012 R
37.2.1 Fixed Assets	As Previously Reported.	Corrections	Re-Styled.
Balance as previously reported	60 771 599		-
Halls that don't belong to the Municipality removed from the asset register.	-	-3 468 420	-
Accumulated depreciation - Halls.	-	636 706	-
Heritage asset accumulated depreciation reversed Grap 103.	-	67 518	-
Change in Accounting Policy -Note 36		-446 990	
Assets re-stated	60 771 599	-3 211 186	57 560 412
37.2.2 Inventory	As Previously Reported.	Corrections	Re-Styled.
Balance as previously reported	53 543	-38 072	15 470
Shortages for prior year written back.			
Inventory restated	53 543	-38 072	15 470
37.2.3 Non-Current Long-term liabilities	As Previously Reported.	Corrections	Re-Styled.
Long service provision for prior period	-	501 000	501 000
	-	501 000	501 000
38.0 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
38.1 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		38 383 555	22 509 441
Irregular expenditure current year		-	15 874 114
Irregular expenditure not reported previous year		1 710 086	-
Irregular expenditure awaiting decision by council.		40 093 641	38 383 555
<div style="border: 1px solid black; padding: 5px;"> Incident Disciplinary steps/criminal proceedings Incident not reported previous year-Obhukwini Road-Contractor Sicelimpilo contractors- Total Contract Value-R 2 704 340.66 Payment R 1 710 085.50 Irregular expenditure Not following Supply Chain Procedures. </div>			
38.2 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		5 875 090	4 654 664
Unauthorised expenditure current year		-	1 220 426
Approved by Council.		(5 875 090)	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation		0	5 875 090
<div style="border: 1px solid black; padding: 5px;"> Incident Disciplinary steps/criminal proceedings Unbudgeted expenditure </div>			
38.3 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		3 549 165	712 044
Fruitless and wasteful expenditure current year		11 695	2 837 121
Approved by Council.		-	-
To be recovered – contingent asset		-	-
Fruitless and wasteful expenditure awaiting decision by council.		3 560 860	3 549 165

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NOTES TO THE FINANCIAL STATEMENTS
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	2013 R	RESTATED 2012 R
Incident		
Disciplinary steps/criminal proceedings		
Fruitless & Wasteful Expenditure - (R4004.79) Interest on various overdue accounts - Eskom.		
39.0 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
39.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	400 000	-
Amount paid - current	-400 000	-
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
39.2 Audit fees		
Opening balance	-	-
Current year audit fee	1 243 290	1 061 975
Amount paid - current year	-1 243 290	-1 061 975
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
39.3 VAT		
VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
39.4 PAYE,SKILLS and UIF		
Opening balance	-	-
Current year payroll deductions	2 135 833	2 512 121
Amount paid - current year	-2 049 148	-2 512 121
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>86 685</u>	<u>-</u>
39.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 341 025	1 416 274
Amount paid - current year	-1 341 025	-1 416 274
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
39.6 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Total
	R	R
as at 30 June 2013	-	-
as at 30 June 2012	-	-
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>
39.7 Supply chain management deviations		
Nhloso Holdings	-	829 090
Veez Micro Enterprise	-	722 339
Phakamanzi Forestry	-	2 181 679
Seethal Attorneys	311 901	-
B P Khubeka	7 600	-
E M Nkosi	4 500	-
GVD Electrical	2 114	-
MKZ Electrical	7 420	-
Maharaj Plumbing	2 810	-
	<u>336 345</u>	<u>3 733 109</u>

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
39.8 Non-Compliance with Chapter 11 of the Municipal Finance Management Act		
None		
40.0 CAPITAL COMMITMENTS		
40.1 Commitments in respect of capital expenditure		
- Approved and contracted for	29 334 082	19 986 208
Infrastructure	28 334 082	18 136 208
Community		1 850 000
Heritage	-	-
Other	1 000 000	-
- Approved but not yet contracted for	0	2 768 908
Infrastructure		2 768 908
Community	-	-
Heritage	-	-
Other	-	-
Total	29 334 082	22 755 116
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	22 590 000	16 905 116
- Own resources	6 744 082	5 850 000
- District Council Grants		
	29 334 082	22 755 116
41.0 Operating leases		
Operating leases - lessor		
Within one year	36 316	-
In the second to fifth year inclusive	14 474	-
Total	50 790	-
See note 30 for rental income.		
42.0 RETIREMENT BENEFIT INFORMATION		
42.1 Defined contribution plan		
The following are defined contribution plans: These contributions have been expensed.		
42.2 Defined benefit plan		
Personnel are members of the Natal Joint Municipal Pension Fund, Government Employees Pension Fund and Municipal Council Pension Funds. The last actuarial valuation for Natal Joint Pension Fund was on 31 March 2012, for Government Employees Pension Fund the last actuarial valuation was on 31 March 2010 and for the Municipal Council Pension Fund the last actuarial valuation was on 3 June 2010.		
43.0 CONTINGENT LIABILITY		
43.1 Claim for damages		
Sibongile Busisiwe Magugu/Stanley Dladla, Nhloso (Pty) Ltd Case No 9222/2010	-	80 000
Thokozile Dube/ Indaka Local Municipality and Jabulani Mtshali Case No 5598/2011	-	50 000
	-	130 000
44.0 CONTINGENT ASSET		
None		
45.0 IN-KIND DONATIONS AND ASSISTANCE		
None		
46.0 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).		
47.0 RELATED PARTIES		

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
Joint Ventures	Nil	
Associates	Nil	
Members of key management	Nil	
Close family member of key management	Nil	
Post employment benefit plan for employees of municipality and/or other related parties	Nil	
Other related party relationships	Nil	
Related party balances		

48.0 EVENTS AFTER THE REPORTING DATE

48.1 None

49.0 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Present value of defined benefit obligation
Provision for doubtful debts

50 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

50.1 Maximum credit risk exposure

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

	2013 R	2012 R
Investments	42 014 440	26 302 687
Cash and Cash Equivalents	20 743 075	2 941 897
Interest rate swaps	-	-
Financial guarantees	-	-
Trade and other receivables	4 693 446	2 611 757
Maximum Credit Exposure	67 450 961	31 856 341

INDAKA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 R	RESTATED 2012 R
50.2 Credit Risk Management		
Credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.		
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows (domestic exposure only, no international exposure):		
Investments	42 014 440	
Receivables	1 413 823	
Cash and Cash Equivalents	20 743 075	
Maximum Credit and Interest Risk Exposure	<u>64 171 338</u>	
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables are broken down as follows:		
Exchange	193 084	
Non-Exchange	<u>1 220 739</u>	
	<u>1 413 823</u>	
The ageing of exchange and non-exchange receivables at the reporting date was as follows:		
Gross	2 012 869	
Current (0 – 30 days)	83 517	
31 - 60 Days	83 513	
61 - 90 Days	83 502	
91 - 120 Days	83 495	
Greater than 120 days	1 678 842	
Less: Provision for Bad Debts	<u>-1 341 998</u>	
Net Consumer Debtors	<u>670 871</u>	
Movement in the provision for bad debts:		
Balance at the beginning of the year	752 336	
Contribution	589 672	
Bad Debts written off	0	
Balance at year end	<u>1 342 008</u>	
50.3 Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities		
50.4 Interest rate risk		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.		
At year end, financial instruments exposed to interest rate risk were as follows:		
	2013 R	2012 R
Call deposits	11 210 399	11 302 687
Investment deposits	30 804 041	15 000 000
Bank balances and cash	20 743 075	2 941 897
Development Bank of South Africa loan	3 835 189	3 995 985
Maximum Interest exposure	<u>66 592 704</u>	<u>33 240 569</u>
50.5 Other price risk		
The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments		

51. COMPARATIVE AND ACTUAL INFORMATION

Description	2012/13						
	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R (000) thousands							
Financial Performance							
Property rates	1 213 635	1 776 644	1 776 644	1 776 645	0	100%	146%
Services charges - Refuse	206 754	178 809	178 809	178 809	1	100%	86%
Rental of Facilities and Equipment	78 500	75 656	75 656	76 993	1 337	102%	98%
Interest Earned-External Investment	350 000	1 200 000	1 200 000	1 790 234	590 234	149%	511%
Transfers recognised - operational	62 242 000	62 170 000	62 170 000	61 826 061	-343 939	99%	99%
Other own revenue	45 000	71 500	71 500	135 314	63 814	189%	301%
Total Revenue (excluding capital transfers and contributions)	64 135 889	65 472 609	65 472 609	65 784 056	311 447		
Employee Related Costs	11 962 779	10 873 260	10 387 210	9 100 719	-2 862 060	76%	76%
Remuneration of Councillors	5 039 434	5 039 434	5 208 434	4 780 264	-259 170	-5%	95%
Dept impairment	900 000	900 000	900 000	589 672	-310 328	-34%	66%
Depreciation and asset impairment	5 000 000	5 000 000	6 072 000	6 091 688	1 091 688	22%	122%
Finance charges	200 000	200 000	266 000	254 850	54 850	27%	127%
Contracted Services	4 101 000	4 563 000	5 349 000	4 613 508	512 508	12%	112%
Transfers and Grants	27 643 000	1 000 000	1 000 000	502 457	-27 140 543	-98%	2%
Other Expenditure	44 182 537	24 965 127	23 278 777	10 474 767	-33 707 770	-76%	24%
Loss on Disposal of PPE	-	-	79 400	79 303	79 303	100%	
Total Expenditure	99 028 750	52 540 821	52 540 821	36 487 228	-62 541 522		
				0			
				0			
Surplus	-34 892 861	12 931 788	12 931 788	29 296 828	-62 230 075		
Transfers recognised - capital	35 569 390	25 343 000	25 343 000	21 217 761	4 125 239	12%	60%
Contributions recognised - capital and contributed assets							
Surplus after capital transfers & contributions	676 529	38 274 788	38 274 788	50 514 589	-58 104 836	-8589%	7467%
Share of surplus of associate							
Surplus for the year	141 683 629	100 862 496	100 862 496	50 514 589	-50 182 161	-35%	36%
Capital Expenditure & funds sources							
Capital Expenditure							
Transfers recognised - capital	35 569 390	22 590 913	22 590 913	19 609 081	2 981 832	8%	55%
Public Contributions and Donations				40 352	-40 352	100%	100%
Borrowing							
Internally generated funds	12 000 000	11 100 000	11 100 000	2 004 815	9 095 185	76%	17%
		0	0				
Total Sources of capital funds	47 569 390	33 690 913	33 690 913	21 654 248	12 036 665		

Cash Flows

Net cash from (used) operating	48 069 000	37 190 000	37 190 000	51 528 445	14 338 445	30%	107%
Net cash from (used) investing	-47 569 000	-33 691 000	-33 691 000	-18 181 664	15 509 336	-33%	38%
Net cash from (used) financing		841 000	841 000	166 149	-674 851	100%	100%
				0			
Cash/cash equivalents at the year end	7 750 000	31 903 000	31 903 000	62 757 515	30 854 515		

INDAKA LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2013

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013
			R	R	R	R
ANNUITY LOAN DBSA @ 5%	KZN 102849	30.09.2028	3 995 985	-	160 796	3 835 189
TOTAL EXTERNAL LOANS			3 995 985	-	160 796	3 835 189

INDAKA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation							Accumulated Depreciation							Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Correction of Error	Under Construction	Change in Policy	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Change in Accounting Policy Depreciation	Change in Accounting Estimates	Closing Balance		
	R	R	R	R	R	R	R	R		R	R	R			R	R	R
Land	250 000	-	-	-	-	-	250 000	-	-	-	-	-	-	-	-	-	250 000
Land	250 000	-	-	-	-	-	250 000	-	-	-	-	-	-	-	-	-	250 000
Buildings	5 591 040	-	-	-	116 491	-	5 707 531	(960 294)	-	(186 368)	-	-	-	-	(1 146 662)	-	4 560 870
Infrastructure																	
Electricity	6 033 499	578 029	-	-	4 143 599	-	10 755 128	(2 151)	-	(2 151)	-	-	-	-	(2 151)	-	10 752 976
Roads	36 504 403	5 985 167	-	-	10 151 289	-	52 640 858	(5 371 551)	-	(2 202 508)	-	-	-	(2 396 286)	(9 970 345)	-	42 670 514
Storm Water	322 004	-	-	-	-	-	322 004	(51 418)	-	(10 733)	-	-	-	-	(62 151)	-	259 852
Community Assets	42 859 906	6 563 196	-	-	14 294 888	-	63 717 990	(5 422 969)	-	(2 215 393)	-	-	-	(2 396 286)	(10 034 647)	-	53 683 343
Art and Crafts Centre	2 289 912	-	-	-	-	-	2 289 912	(423 299)	-	(76 330)	-	-	-	-	(499 629)	-	1 790 283
Cemeteries					1 188 549		1 188 549								-	-	1 188 549
Creches	3 138 739	263 486	-	-	232 859	-	3 635 083	(401 413)	-	(99 897)	-	-	-	-	(501 310)	-	3 133 773
Halls	2 823 119	-	-	-	-	-	2 823 119	(293 144)	-	(94 104)	-	-	-	-	(387 248)	-	2 435 871
Libraries	1 006 000	-	-	-	-	-	1 006 000	(201 177)	-	(33 533)	-	-	-	-	(234 710)	-	771 290
Market Stalls	1 276 252	-	-	-	-	-	1 276 252	(130 465)	-	(42 542)	-	-	-	-	(173 007)	-	1 103 245
	10 534 022	263 486	-	-	1 421 407	-	12 218 915	(1 449 498)	-	(346 407)	-	-	-	-	(1 795 905)	-	10 423 010
Total carried forward	59 234 968	6 826 682	-	-	15 832 787	-	81 894 436	(7 832 760)	-	(2 748 168)	-	-	-	(2 396 286)	(12 977 214)	-	68 917 222

INDAKA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation							Accumulated Depreciation							Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Correction of Error	Under Construction	Change in Policy	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Change in Accounting Policy Depreciation	Change in Accounting Estimates	Closing Balance		
	R	R	R	R	R		R	R		R	R	R			R	R	R
Total brought forward	59 234 968	6 826 682	-	-	15 832 787		81 894 436	(7 832 760)	-	(2 748 168)	-	-	-	(2 396 286)	(12 977 214)	-	68 917 222
Other Assets																	
Computer Equipment	868 878	40 352	(336 909)	-	-	-	572 321	(620 660)	-	(94 010)	315 561	-	-	219	(398 890)	-	173 431
Furniture & Fittings	1 230 425	-	(64 090)	-	-	-	1 166 335	(730 304)	-	(191 577)	46 159	-	-	47 615	(828 107)	-	338 228
Office Equipment	428 491	69 650	(19 558)	-	-	-	478 583	(218 623)	-	(33 601)	19 558	-	-	4 970	(227 696)	-	250 886
Plant and Equipment	3 954 668	8 215	(449 800)	-	-	-	3 513 083	(1 247 638)	-	(245 237)	190 379	-	-	(26 836)	(1 329 331)	-	2 183 752
Vehicles	3 087 866	-	(1 418 705)	-	-	-	1 669 160	(2 035 882)	-	(172 667)	1 376 702	-	-	-	(831 847)	-	837 313
Finance Lease Assets	9 570 328	118 216	(2 289 062)	-	-	-	7 399 482	(4 853 107)	-	(737 092)	1 948 360	-	-	25 968	(3 615 871)	-	3 783 611
Leased Assets	886 530	-	-	-	-	-	886 530	(393 374)	-	(245 945)	-	-	-	37 687	(601 632)	-	284 898
	886 530	-	-	-	-	-	886 530	(393 374)	-	(245 945)	-	-	-	37 687	(601 632)	-	284 898
Total	69 691 826	6 944 898	(2 289 062)	-	15 832 787	-	90 180 448	(13 079 242)	-	(3 731 205)	1 948 360	-	-	(2 332 631)	(14 862 087)	-	72 985 732

INDAKA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land																	
Land	250 000	-	-	-	-	250 000	-	-	-	-	-	-	-	-	-	-	250 000
	250 000	-	-	-	-	250 000	-	-	-	-	-	-	-	-	-	-	250 000
Buildings	5 591 040	-	-	-	-	5 591 040	(776 277)	-	(184 016)	-	-	-	(960 294)	-	-	-	4 630 746
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	36 504 403	-	-	-	-	36 504 403	(3 836 371)	(22 572)	(1 512 608)	-	-	-	(5 371 551)	-	-	-	31 132 852
Electricity	6 033 499	-	-	-	-	6 033 499	-	-	-	-	-	-	-	-	-	-	6 033 499
Storm Water	322 004	-	-	-	-	322 004	(40 684)	-	(10 733)	-	-	-	(51 418)	-	-	-	270 586
	42 859 906	-	-	-	-	42 859 906	(3 877 056)	(22 572)	(1 523 341)	-	-	-	(5 422 969)	-	-	-	37 436 937
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	3 138 739	-	-	-	-	3 138 739	(311 857)	-	(89 556)	-	-	-	(401 413)	-	-	-	2 737 327
Libraries	1 006 000	-	-	-	-	1 006 000	(167 644)	-	(33 533)	-	-	-	(201 177)	-	-	-	804 823
Halls	6 291 539	-	-	(3 468 420)	-	2 823 119	(746 748)	636 706	(183 102)	-	-	-	(293 144)	-	-	-	2 529 975
Market Stalls	1 276 252	-	-	-	-	1 276 252	(87 923)	-	(42 542)	-	-	-	(130 465)	-	-	-	1 145 787
Art and Crafts Centre	2 289 912	-	-	-	-	2 289 912	(346 968)	-	(76 330)	-	-	-	(423 299)	-	-	-	1 866 614
	14 002 442	-	-	(3 468 420)	-	-	10 534 022	(1 661 140)	636 706	(425 063)	-	-	(1 449 497)	-	-	-	9 084 524
Total carried forward	62 703 387	-	-	(3 468 420)	-	-	59 234 967	(6 314 473)	614 134	(2 132 421)	-	-	-	-	(7 832 760)	-	51 402 208

INDAKA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation							Accumulated Depreciation								Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Correction of Error	Under Construction		Closing Balance	Opening Balance	Correction of Error Back log Depreciation	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Correction of Error	Change in Accounting Estimates	Closing Balance			
Total brought forward	R 62 703 387	R -	R -	(3 468 420)	R -	-	R 59 234 967	R (6 314 473)	614 134	R (2 132 421)	R -	R -	-	-	R (7 832 760)	R -	R -	R 51 402 208
Other Assets															-			
Office Equipment	624 167	-	-	-	-	(195 676)	428 491	(220 249)	(19)	(70 100)	-	-	71 745		(218 623)	-	-	209 868
Furniture & Fittings	1 962 908	-	-	-	-	(732 484)	1 230 425	(889 859)	(27 422)	(279 168)	-	-	466 145		(730 304)	-	-	500 120
Plant and Equipment	3 961 409	-	-	-	-	(6 741)	3 954 668	(988 505)		(262 889)	-	-	3 756		(1 247 638)	-	-	2 707 030
Vehicles	3 087 866	-	-	-	-		3 087 866	(1 743 115)		(292 767)	-	-			(2 035 882)	-	-	1 051 984
Computer Equipment	1 044 925	-	-	-	-	(176 048)	868 878	(555 575)	(70 519)	(116 878)	-	-	122 312		(620 660)	-	-	248 218
	10 681 275	-	-	-	-	(1 110 948)	9 570 327	(4 397 303)	(97 959)	(1 021 801)	-	-	663 958	-	(4 853 106)	-	-	4 717 221
Finance Lease Assets																		
Leased Assets	886 530	-	-	-	-		886 530	-	(224 480)	(168 894)	-	-			(393 374)	-	-	493 156
	886 530	-	-	-	-		886 530	-	(224 480)	(168 894)	-	-	-		(393 374)	-	-	493 156
Total	74 271 193	-	-	(3 468 420)	-	(1 110 948)	69 691 824	(10 711 776)	291 695	(3 323 116)	-	-	663 958		(13 079 240)	-	-	56 612 584

INDAKA LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2013

2012	2012	2012		2013	2013	2013
Actual Income	Actual Expenditure	(Surplus) / Deficit		Actual Income	Actual Expenditure	(Surplus) / Deficit
R	R	R		R	R	R
(1 726 390)	18 048 294	16 321 904	Corporate Services	(303 352)	16 203 099	15 899 748
-	-	-	Municipal Manager's Office	-	-	-
(20 380 372)	9 154 696	(11 225 677)	Technical Services	(21 217 761)	6 222 188	(14 995 572)
(57 939 268)	13 660 757	(44 278 512)	Financial Services	(65 480 705)	12 732 477	(52 748 228)
-	3 011 696	3 011 696	Development and Planning	-	1 329 463	1 329 463
-	-	-	Internal Audit	-	-	-
(80 046 031)	43 875 441	(36 170 589)		(87 001 817)	36 487 227	(50 514 589)
			Less: Inter-Department Charges			
(80 046 031)	43 875 441	(36 170 589)	Total	(87 001 817)	36 487 227	(50 514 589)

INDAKA LOCAL MUNICIPALITY

APPENDIX C

AL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost / Revaluation							Accumulated Depreciation								Carrying value	
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals	Transfer	Change in Policy	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals	Change in Policy	Change in Estimates	Transfer	Closing Balance	
	R		R	R	R	R		R	R		R	R				R	R
Budget & Treasury	1 184 428		63 350		(204 191)	-2 231	-262 233	779 123	732 035		123 871	-200 175	-147 956	-11 173	8 348	504 951	274 172
Community Services	14 213 673	-3 468 420	303 837	1 421 407	-9 585	-17 173	-154 483	12 289 257	2 264 402	-636 706	358 270		-133 837	-1 113	-17 047	1 833 969	10 455 289
Corporate Services	8 507 032		43 882	116 491	-87 021	-91 859	-199 615	8 288 910	1 853 886	-67 518	517 319	-66 738	-130 255	-42 103	-66 201	1 998 390	6 290 520
Electricity	6 033 499		578 029	4 143 599	0			10 755 127			2 151					2 151	10 752 976
Executive & Council	1 178 779		6 300		-59 723	-9 347	-315 893	800 116	698 505		108 734	-52 924	-140 749	-31 758	14 345	596 153	203 964
Housing	62 421		0		0	9 085	-38 777	32 729	49 811		1 164	-9 438	-27 403	-873	9 010	22 271	10 458
Planning & Development	156 752		0		-23 751	67 645	-68 772	131 874	102 149		20 478	-23 579	-36 013	-1 831	12 327	73 531	58 344
Road Transport	43 933 578		5 993 382	10 151 288	-1 904 790	43 879	-71 176	58 146 161	8 797 777		2 627 068	-1 595 505	-47 746	2 421 481	39 218	12 242 294	45 903 867
Total	75 270 162	-3 468 420	6 988 780	15 832 785	-2 289 062	0	-1 110 948	91 223 297	14 498 565	-704 224	3 759 057	-1 948 359	-663 958	2 332 631	0	17 273 710	73 949 589

INDAKA LOCAL MUNICIPALITY

APPENDIX E (2)

APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

	2013	2013	2013	2013	2013	2013	Explanation of Significant Variances Greater than 5% versus Budget
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	
EXECUTIVE AND COUNCIL	6 300	-	6 300		(6 300)	100%	It is laptop that was bought for the Municipal Manager
CORPORATE	347 719	1 537 898	1 885 617	50 000	(1 835 617)	-3671%	Due to community halls that was capitalised under corporate/community but it was budgeted as part of technical
TECHNICAL	6 571 411	14 294 887	20 866 298	33 541 000	12 674 702	38%	Some of the projects is not finalised on year end.
FINANCE	63 350	-	63 350	100 000	36 650	37%	Due to savings where only the essencial equipment was bourgt.
	6 988 780	15 832 785	22 821 565	33 691 000	10 869 435	55%	

INDAKA LOCAL MUNICIPALITY
APPENDIX E (1)
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	Budget 2013	Actual 2013	Variance 2013	Variance 2013	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(1 776 645)	(1 776 645)	-	0.00%	n/a
Service charges	(178 809)	(178 809)	(1)	0.00%	n/a
Rental of facilities and equipment	(75 656)	(76 993)	(1 337)	1.77%	n/a
Interest earned - external investments	(1 200 000)	(1 790 234)	(590 234)	49.19%	Due to strict expenditure control applied through the administrator. It resulted that more than expected surplus money were available for investents.
Government grants and subsidies	(87 513 000)	(83 043 822)	4 469 178	-5.11%	n/a
Other income	(71 500)	(135 314)	(63 814)	89.25%	Due to a large amount of capital tenders a huge volume of tender documents were sold.
Total Revenue	(90 815 609)	(87 001 817)	3 813 792	-4.20%	
EXPENDITURE					
Financial Services	14 409 128	12 732 477	(1 676 651)	-11.64%	Due to strict expenditure control applied through the administrator.
Corporate Services	11 525 966	8 649 932	(2 876 034)	-24.95%	Due to strict expenditure control applied through the administrator.
Executive & Council	8 322 458	7 553 167	(769 291)	-9.24%	n/a
Planning & Development	3 645 477	1 329 463	(2 316 014)	-63.53%	Due to strict expenditure control applied through the administrator.
Technical Services	14 924 784	6 222 188	(8 702 596)	-58.31%	Due to grant expenditure
Total Expenditure	52 827 813	36 487 227	(16 340 586)	-30.93%	
NET (SURPLUS)/ DEFICIT FOR THE YE	(37 987 796)	(50 514 589)	(12 526 793)		

INDAKA LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2011/2012	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2012/2013 financial statements	Grants and Subsidies delayed/ withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework of Revenue Act	Reason for non- compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
EQUITABLE SHARE	National Treasury	0	24 836 000	19 851 000	14 902 000		59 589 000	24 836 000	19 851 000	14 902 000		59 589 000	0	No	N/a	Yes	N/a
LUMS GRANT	Dlgt	1 112					0					0	1 112	No	N/a	Yes	N/a
DBSA FEASIBILITY STUDY	Dlgt	92 907					0					0	92 907	No	N/a	Yes	N/a
INTERDEPARTMENTAL PLANNING	Dlgt	31 700					0					0	31 700	No	N/a	Yes	N/a
FINANCE MANAGEMENT GRANT	Dlgt	90 886	1 500 000				1 500 000	209 811	218 571	448 947	540 866	1 418 194	172 692	No	N/a	Yes	N/a
MSIG RESERVES	Dlgt	45 292	800 000				800 000	97 143			458 724	555 867	289 425	No	N/a	Yes	N/a
MSIG RESERVES -UTHUKELA	Dlgt	56 126					0					0	56 126	No	N/a	Yes	N/a
MIG.	Treasury	3 953 330					0	2 900 000				2 900 000	1 053 330	Yes	Non Spending	Yes	N/a
MIG.2012/2013	Treasury	2 247 913	13 617 000	4 166 000	2 560 000		20 343 000	5 398 424	1 493 680	1 512 152	8 219 592	16 623 848	5 967 065	No	N/a	Yes	N/a
ERADICATION OF BUCKET SYSTEM		671 219					0					0	671 219	No	N/a	Yes	N/a
BACKLOG INFRASTRUCTURE RESERVE		80 702					0					0	80 702	No	N/a	Yes	N/a
ELECTRIFICATION	Treasury	1 021 764	1 000 000	2 000 000	2 000 000		5 000 000			3 411 688	1 182 225	4 593 913	1 427 851	No	N/a	Yes	N/a
		8 292 952	41 753 000	26 017 000	19 462 000	0	87 232 000	33 441 378	21 563 251	20 274 787	10 401 407	85 680 822	9 844 129				